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Joint Economic Committee
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WENDELL PRIMUS
STAFF DIRECTOR

November 6, 2003

U.S. CORPORATE TAXES ARE VERY LOW FROM BOTH AN HISTORICAL AND AN INTERNATIONAL PERSPECTIVE

Dear Colleague:

I want to call your attention to the attached charts, prepared by the Joint Economic Committee (JEC) Democrats, showing that corporate taxes in the United States are very low, from both an historical and an international perspective.

Congress is poised to reduce corporate taxes even further. The House and Senate have developed legislation creating new corporate tax breaks to offset the repeal of export tax subsidies that are in violation of World Trade Organization (WTO) agreements. The WTO has threatened to impose sanctions of $4 billion—the cost of the subsidies next year—if the export subsidies are not repealed. Corporate tax cuts in the House bill would cost about $60 billion more than the savings from the repealed subsidies and other revenue raising offsets over the 10-year budget window. Moreover, the final bill could easily end up providing far more costly corporate tax breaks if elements of both the House and Senate bills are combined.

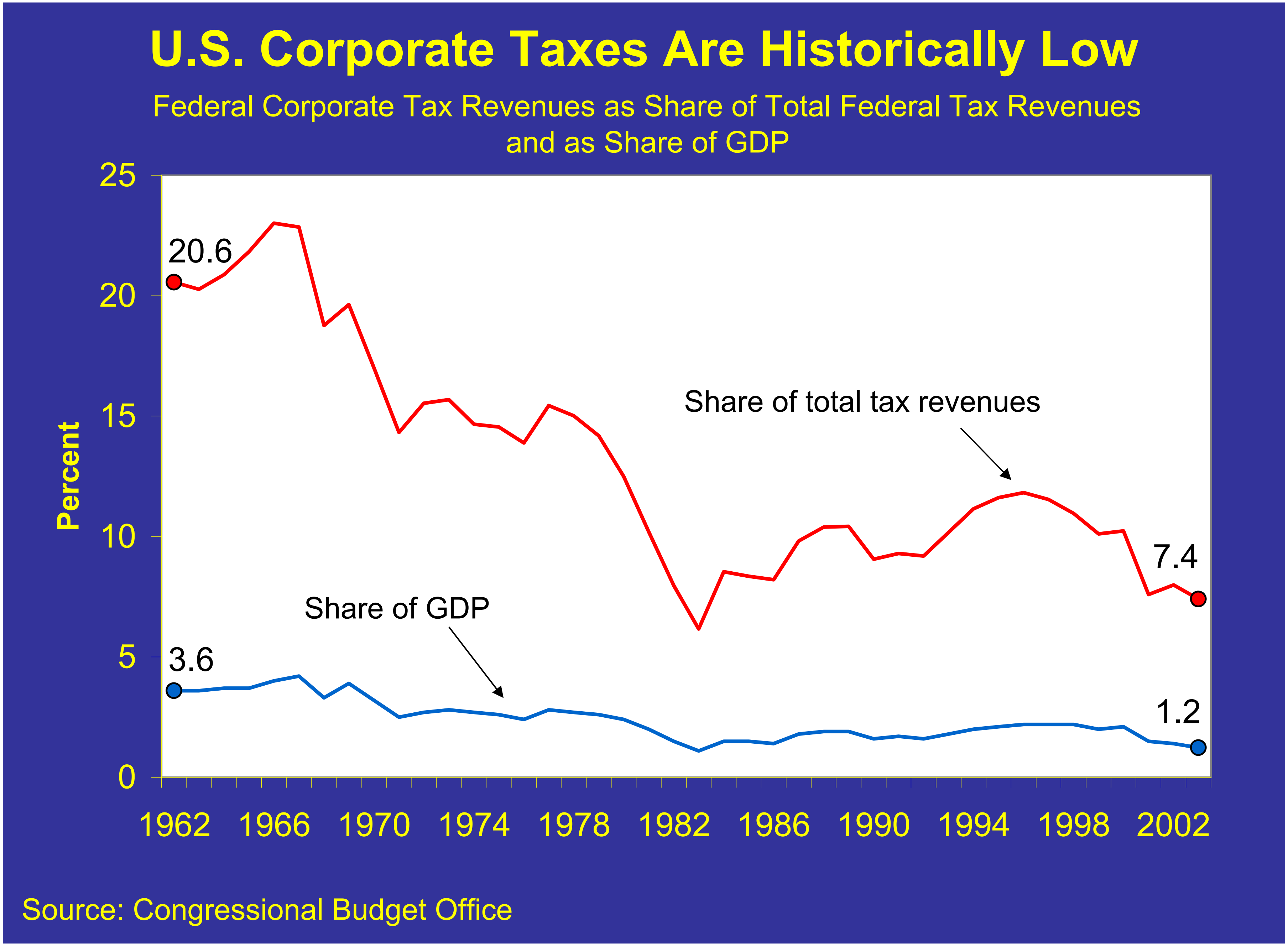
However, federal corporate income taxes are already historically low, whether measured as a share of total federal tax revenues or as a share of gross domestic product (GDP). In 1962, corporate taxes made up over 20 percent of total federal revenues and equaled 3.6 percent of GDP. The Congressional Budget Office estimates that in 2003 corporate taxes will account for only 7.4 percent of total federal tax revenues, and equal only 1.2 percent of GDP. Since World War II, the only year in which corporate taxes were lower than they are today was 1983.

Taxes on U.S. corporations are also low compared with other major industrialized countries. In 2002, corporate taxes (at all levels of government) as a share of GDP were only 2.5 percent in the United States, compared with an average of 3.6 percent across all Organization for Economic Cooperation and Development countries. This international corporate tax gap has widened over the past few decades, especially recently as a result of the federal corporate tax cuts passed since 2000.

Please take the time to review the charts and to understand why a new round of corporate tax breaks is not necessary. All of the JEC Democrats' "Economic Points-of-Interest Charts" (E-PICs) can be viewed at <http://jec.senate.gov/democrats>. These charts are downloadable for use on the floor or in newsletters. If you have questions about this E-PIC, please talk to me or have your staff contact JEC staff economist Diane Rogers at 202-224-0372 or e-mail her at <Diane_Rogers@jec.senate.gov>.

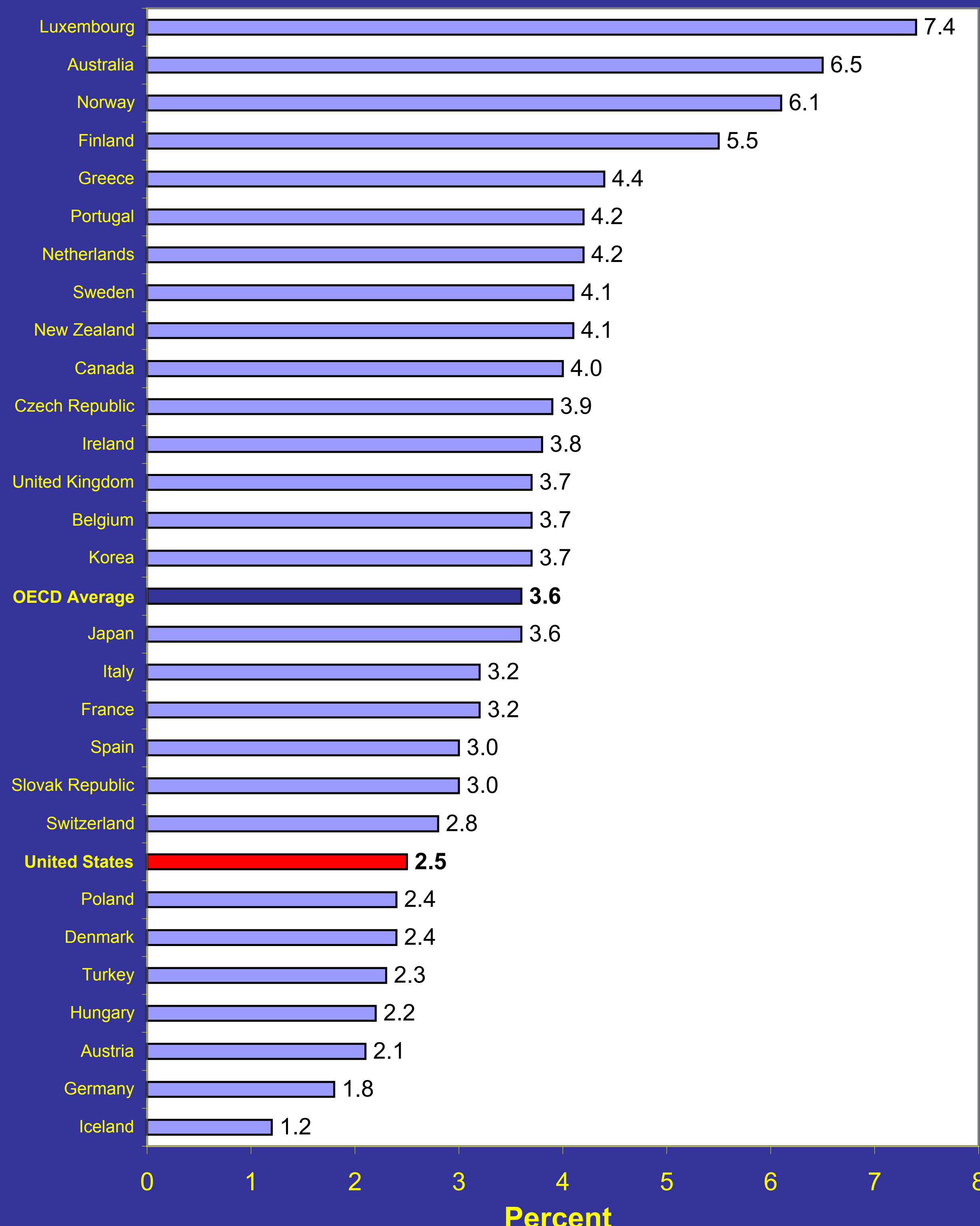
Sincerely,

Pete Stark


U.S. Corporate Taxes Are Historically Low
Federal Corporate Tax Revenues as Share of Total Federal Tax Revenues
and as Share of GDP
Percent
25
20
15
10
5
0
20.6
Share of total tax revenues
7.4
Share of GDP
3.6
1.2
1962
1966
1970
1974
1978
1982
1986
1990
1994
1998
2002
Source: Congressional Budget Office

Corporate Taxes in the United States Are Low Compared with Those of Other Developed Countries

Taxes on Corporate Income as a Share of GDP, 2000



Source: Organization for Economic Cooperation and Development